2001 Saskatchewan Auto Fund Annual Report

SGI

102-04465/

SGI VISION

As a Saskatchewan based insurance company we will set
the industry standard for being highly valued by our customers

SGI VALUES

INTEGRITY

Conducting ourselves with honesty, trust and fairness

CARING

Acting with empathy, courtesy and respect

INNOVATION

Implementing creative solutions to achieve our vision

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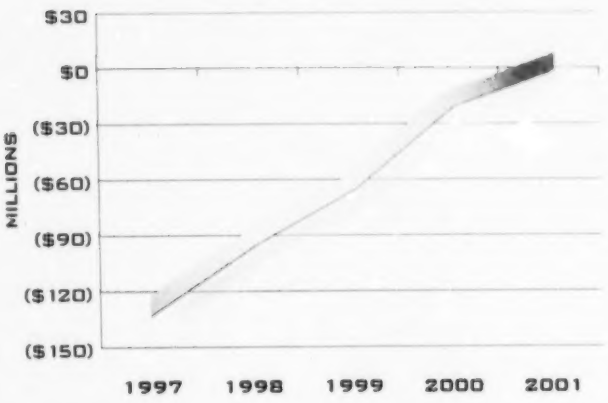
Highlights 2001

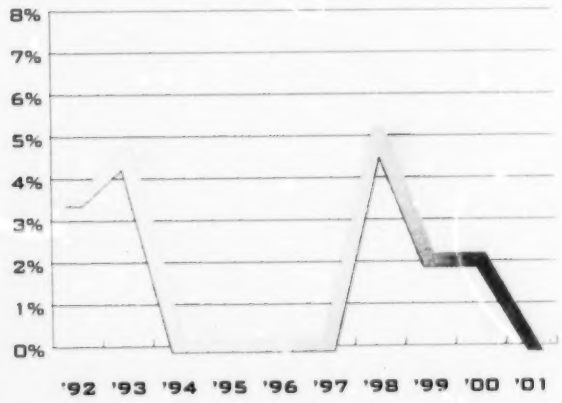
In 2001, a major milestone was accomplished. By realizing an $18.8 million surplus, the deficit in the Rate Stabilization Reserve (RSR), which grew to as high as $127.9 million in 1997, was eliminated. The RSR was returned to a surplus position of $2 million for the first time since 1992.

RATE STABILIZATION RESERVE (DEFICIT)



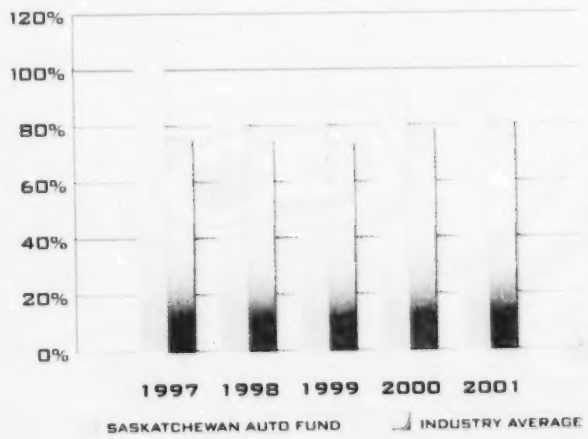
The Auto Fund was able to eliminate the deficit in the RSR while meeting its goal of maintaining among the lowest auto insurance rates in Canada. Since 1994, there have been rate increases in only three years, 5% in 1998, 2% in 1999 and 2% in 2000. In 1998, the deductible was also increased from $500 to $700. This is a significant accomplishment, given that the deficit reached a high of almost $128 million in 1997.

HISTORY OF RATE INCREASES



SGI has a long-standing tradition of low administration costs. Compared to the industry as a whole, SGI's administration costs are significantly lower. The Auto Fund operates on a break-even basis over time, using the majority of premiums collected to pay claim costs. On average over the last five years, the Auto Fund has returned 96 cents of each premium dollar to customers, compared to the private industry average of 77 cents.

CLAIMS DOLLARS RETURNED TO CUSTOMERS



BOARD OF DIRECTORS

Dale Bloom
Corporate Secretary,
Crown Investments Corporation
Regina, SK

Doug Richardson
Lawyer, Saskatoon, SK

J. Walter Bardua
Vice-Chair,
Retired Insurance Professional,
Nanaimo, BC

Robert Fenwick
Retired Insurance Professional
Dorintosh, SK

Jim Mills
Mayor of Elrose, SK

Nancy E. Hopkins
Lawyer, Saskatoon, SK

Missing
Joan D. Bellegarde
Executive Director, File Hills
Qu'Appelle Tribal Council
Fort Qu'Appelle, SK

Joan F. D. Baldwin
Doctor, Regina, SK

Larry Fogg
President and CEO of SGI,
Regina, SK

Donald W. Cody
Chair,
Mayor of Prince Albert, SK

W. J. A. (Bill) Heidt
President, TGS Properties Ltd.
Calgary, AB

SENIOR MANAGEMENT

VICE PRESIDENTS

Margaret Anderson, *Systems*
Cheryl Barber, *Human Resources*
Earl Cameron, *Claims*
Alan Cockman, *Auto Fund*
John Dobie, *Finance*
Randy Heise, *Underwriting*

ASSISTANT VICE PRESIDENTS

Doug Campbell, *Claims*
Anna Lapierre, *Auto Fund*
Ken Lerner, *Claims*
Bob Lundy, *Claims*
Maureen MacCuish, *Communications*
Gerry Marsden, *Underwriting*
Bernadette McIntyre, *Auto Fund*
Arun Patel, *Salvage*
Jim Roberts, *Underwriting*
Don Thompson, *Finance*
Dwain Wells, *Systems*
Lorne Whippler, *Underwriting*
Sherry Wolf, *Claims*

LETTER OF TRANSMITTAL

Regina, Saskatchewan

March, 2002

To Her Honour,

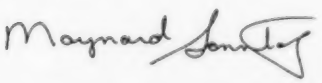
The Honourable Lynda Haverstock,
Lieutenant-Governor of the
Province of Saskatchewan

Your Honour:

I have the honour to submit herewith the annual report of the Saskatchewan Auto Fund for the year ended December 31, 2001, including the financial statements in the form required by the Treasury Board and in accordance with the *Automobile Accident Insurance Act*.

I have the honour to be, Madam,

Your obedient Servant,



Honourable Maynard Sonntag,
Minister Responsible for Crown Investments Corporation

Introduction

Over the past several years one of the most serious issues facing the Saskatchewan Auto Fund was the deficit in the Rate Stabilization Reserve (RSR). By the end of 2001, I am happy to report that this deficit, which reached a high of $127.9 million in 1997, has been eliminated and the RSR is now showing a small surplus.

I am extremely proud that the Auto Fund was able to reach its goal of returning the RSR to a surplus position without raising auto insurance rates in 2001. It has continued to offer Saskatchewan motorists quality insurance coverage at very affordable rates.

The Auto Fund's improved financial position has also enabled us to respond to our customers with new programs and initiatives in 2002. These developments indicate that the Saskatchewan Auto Fund is embracing change and evolving to be more responsive to Saskatchewan drivers.

Year in Review

In 2001, the Auto Fund underwent numerous improvements aimed at increasing customer satisfaction, including the introduction of a new photo driver's licence, specialized customer service training for all front-line staff, expanded hours for auto claims service in Regina and Saskatoon and major improvements to the Medical Review Unit designed to assist drivers with medical restrictions on their driver's licences.

While it is important to keep rates affordable and improve customer service, the Auto Fund works hard to ensure that those goals are not achieved at the expense of traffic safety. SGI is committed to developing innovative traffic safety programs aimed at preventing accidents and saving lives on Saskatchewan's roads.

A variety of traffic safety programs were launched in 2001, many of which focused on the serious problem of drinking and driving. The Ignition Interlock Program, 90-day administrative suspensions and zero alcohol tolerance for new drivers are just a few of the initiatives implemented last year.

The Auto Fund also partnered with the Regina Police Service in an effort to help raise awareness of the serious problem of auto theft in Regina. In June 2001, 1,700 anti-theft steering wheel "clubs" were given to owners of the 10 most frequently stolen vehicle makes and models in Regina. Through this initiative, SGI and the Regina Police Service hoped to assist vehicle owners in safeguarding their vehicles.

Another initiative aimed at raising awareness of protection against auto theft was the announcement that SGI would waive the $700 auto insurance deductible for Saskatchewan residents who have their vehicles stolen while using an active anti-theft device. The incentive program is a pilot project that began in December of 2001 and will remain in effect until June 1, 2002.

Future

Eliminating the deficit in the RSR has put the Auto Fund in a position to act on our customers' desires and improve the programs and services offered by SGI. Saskatchewan motorists will soon have more choices when it comes to injury insurance coverage, a reward program for safe drivers and even better customer service.

The independent committee which reviewed the Personal Injury Protection Plan (PIPP), did an excellent job and the government will be adopting virtually every recommendation put forward to improve the program. These changes will take effect when necessary legislation is passed in the spring of 2002.

For motorists who want a different kind of auto injury coverage, SGI has started working on an alternative coverage where Saskatchewan residents can choose to receive less extensive defined injury benefits, but can sue an at-fault party for pain and suffering, subject to a deductible. This coverage choice will be available to vehicle owners Jan. 1, 2003.

SGI is also proud to be introducing a discount for safe drivers in 2002, where individuals with good driving records will receive a reduction on their auto insurance premiums. The discount for safe drivers and the new injury coverage option are also subject to legislative approval in the spring of 2002.

2002 promises to be a very busy year at SGI. However, I am confident that through hard work the Saskatchewan Auto Fund will continue to provide the people of Saskatchewan with the quality, affordable auto insurance and related services they have come to expect.

Larry Fogg
President

On June 28, 2001, 1,700 anti-theft steering wheel "clubs" were given to owners of the 10 most stolen vehicle makes and models in Regina. Through this initiative, SGI and the Regina Police Service hoped to assist vehicle owners in safeguarding their vehicles.

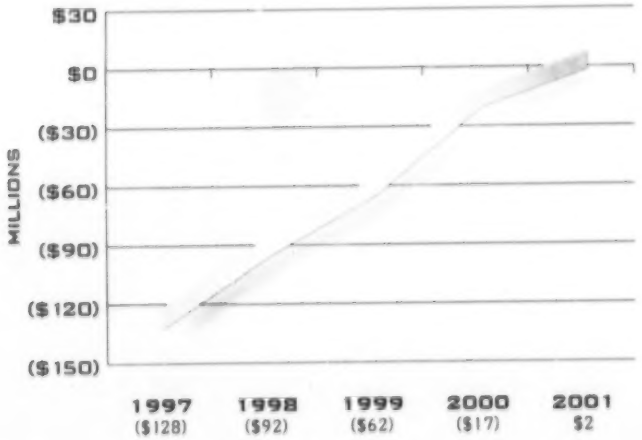
Financial Position

Comparison provided by Runzheimer Canada.

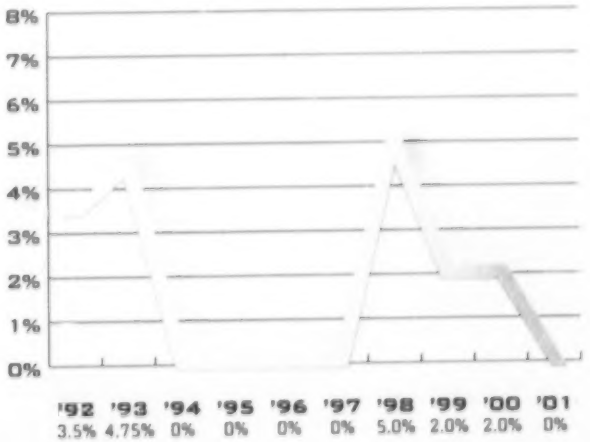
Strong financial results in 2001 helped the Saskatchewan Auto Fund achieve its goal of eliminating a long-standing deficit in the Rate Stabilization Reserve (RSR). The Fund began 2001 with a $16.9 million deficit in the RSR but by year end the deficit was completely eliminated and the RSR now has a surplus balance of $2 million.

The Saskatchewan Auto Fund has a long history of offering among the lowest auto insurance rates in the country and 2001 was no exception (see Runzheimer graph above). In fact, the Fund is proud to have greatly improved its financial position without an overall increase to vehicle premiums in 2001.

RATE STABILIZATION RESERVE (DEFICIT)



HISTORY OF RATE INCREASES



The surplus for the Fund of $18.8 million in 2001, was noticeably lower than the previous year's total of $45.3 million. This can be attributed mainly to lower investment earnings. In 2000, gains on the sale of investments were the highest level ever recorded for the Auto Fund and cannot be expected on an annual basis.

One of the ways SGI works hard to ensure it is able to provide low rates is through its tradition of low administration costs. The Auto Fund has some of the lowest administration costs in the Canadian insurance industry, even though it provides more services than private insurance companies. It's a tribute to the hard work of SGI employees.

Customer Service

In 2001, SGI formally asked for feedback from our customers on how we could serve them better. Four major issues were identified:

- giving good drivers discounts on their vehicle insurance premiums
- improving the Personal Injury Protection Plan, including giving customers the choice to opt out and elect a tort-based product
- maintaining low vehicle insurance premiums
- improving customer service

SGI announced new initiatives to take effect in 2002 to respond to customer feedback. Pending legislative approval, safe drivers will begin to receive discounts on vehicle insurance premiums July 1, 2002, multiple improvements will be made to the Personal Injury Protection Plan July 1, 2002, and customers will have the choice to opt out and elect a tort-based injury coverage Jan. 1, 2003. SGI also announced that there will be no increase to vehicle insurance premiums in 2002.

The fourth major issue identified by our customers – improving service – was a top priority at SGI in 2001. SGI understands that to achieve our corporate vision of setting the industry standard for being highly valued by our customers, we must not only meet, but exceed, our customers' service expectations. To do so, we are relying on the services of Jeff Mowatt, Canada's most published business writer on customer service. Training has been customized based on SGI's particular business needs and the broad range of services we provide to the people of Saskatchewan.

The training is supplemented with a wide variety of support tools and followed up with regular customer service think tanks where staff meet to discuss ways to improve service in their areas based on direct feedback from their customers. Many improvements have resulted including:

- waiving administrative fees for customers where appropriate
- reducing the fee for cancelling vehicle registration and insurance
- waiving the fee for cancelling vehicle registration and insurance where vehicles are a total loss due to a crash
- streamlining procedures for booking driver examinations

SGI receives many letters from our customers singling out employees for the excellent customer service they have provided. Here are a few excerpts from actual "thank you" letters we've received from customers.

May 2001

"I just wanted to let you know how much I appreciated your compassion and patience when dealing with my injury claim. Everyone I spoke to or had dealings with at SGI was so kind, and it helped to keep me calm. Thank you so very much."

September 2001

"And as a matter of interest, of all the agencies (government and private) that I have dealt with over my head-pressed years, I have found SGI to be the most helpful, the least bureaucratic, and the staff very empathetic.

Please accept my thanks – simply said, sincerely felt."

October 2001

"I liked how you gave me answers at a logical time, helping me eliminate confusion. You listened, thought-forward, but always polite way was very nice. I have never had the thought of writing a letter like this before... but you do deserve a pat on the back for the help you gave, even to the point of phoning back when you said you would."

November 2001

"My experience with SGI has been nothing short of wonderful. I don't imagine you get many accolades, so I wish to give you a "heads up."

Think tanks are proving to be powerful tools for employees to challenge the status quo and make positive changes on behalf of our customers. Overall, the specialized customer service training initiative is providing SGI employees with the information and the means to better serve our customers. By year end, 95% of permanent front line staff and 78% of all permanent staff completed the course. SGI's goal is to have 100% of staff complete the training in 2002.

SGI also conducts regular reviews of its programs and services. In 2001, a number of improvements were made to better serve our customers including:

- introducing a more secure photo driver's licence at no cost to consumers
- streamlining and simplifying reporting requirements for Saskatchewan drivers with medical conditions which could impact their ability to drive safely, including providing a subsidy to offset the costs of SGI-requested medical information
- expanding hours of operation for full auto claims service in Regina and Saskatoon
- introducing new education materials for new and for older drivers

SGI is proud of the accomplishments of the past year to improve customer service, but knows that there is more work to be done. Providing high quality service to the people of Saskatchewan will continue to be at top priority at SGI in 2002.

Crime Prevention

In an ongoing effort to support programs that are insurance-related, SGI participated in several new community crime prevention initiatives in 2001.

Auto theft is a major concern in Saskatchewan. There is recognition that this is a very complex problem and a corresponding acknowledgement that there is no one solution to the problem of auto theft. SGI has undertaken a number of initiatives to address the concern.

SGI became a lead sponsor of a new program, "Driving Down Auto Theft." Led by the Saskatchewan Auto Theft Working Committee of Police Practitioners, this provincial program endeavours to raise public awareness on the proactive measures that can be taken to deter auto-theft perpetrators. The program consists of educational components including ongoing public service announcements, printed brochures and posters.

SGI also spearheaded a targeted public education campaign on auto theft in Regina and Saskatoon. Print advertisements communicated to vehicle owners important tips on safeguarding their property. SGI also provided free anti-theft devices to over 1,700 Regina residents who are owners of vehicles most at risk of being stolen.

In order to address the socio-economic problems associated with auto theft, SGI provides funding to programs which promote positive alternatives for youth at risk, including the Prince Albert Youth Centre, Regina Street Culture Kidz and the Saskatchewan Community Cadet Corps.

In many communities across the province, residents work together to reduce crime. SGI was pleased to aid in the implementation of Citizens on Patrol programs in Yorkton, Wynyard, Lumsden and Unity. These volunteer organizations assist in preventing crimes in their communities by patrolling and reporting suspicious conduct to their local enforcement agencies.

Traffic Safety

As the main auto insurer in Saskatchewan, SGI takes a lead role in promoting traffic safety in the province. Its approach to promoting safety falls into two broad areas: improving awareness and providing enhancements for better enforcement of traffic rules. Ultimately, SGI works to develop innovative traffic safety programs in these two areas aimed at preventing crashes and saving lives.

The specific safety issues that SGI focuses on are determined by ongoing review of traffic statistics. Currently, most programming falls into five key areas: impaired driving, seat belt use, high-risk intersections, new drivers and high-risk drivers. Specific goals have been set in each of these areas, with results on each displayed in the chart below.

Legislative Enhancements

SGI is constantly looking to bring the best pieces of legislation into the province to help manage the problem of drinking and driving. In fact, Saskatchewan has among the strongest package of drinking and driving legislation in place in Canada. In 2001, three enhancements were made to laws governing drinking and driving.

Beginning Feb. 1, 2001, new drivers who are caught driving after having consumed any amount of alcohol have their licences suspended. This measure addresses the over-representation of new drivers in alcohol-related collisions.

In addition to other measures already in place for driving after drinking, an immediate 90-day administrative suspension of a driver's licence is now imposed by law enforcement if a driver has a blood alcohol level over .08, or if the driver is charged with refusing to give a blood sample. This new measure ensures immediate consequences for those who continue to drive with a blood alcohol level above the legal limit.

SGI also introduced an ignition interlock program for first-time offenders in 2001. An ignition interlock is an alcohol-sensing device attached to a vehicle's ignition system. If the device detects any alcohol in a breath sample from the driver, it will prevent the vehicle from starting. This program is intended to encourage those convicted of a first alcohol-related offence to separate the act of drinking from driving.

TRAFFIC SAFETY PRIORITY AREA	TARGETS	PROGRAM RESULTS TO DATE (2001)
Impaired Driving	20% reduction in the proportion of fatal accidents involving alcohol over 5 year period	10% reduction over 5 years
New Drivers	10% reduction in number of crashes involving new drivers	0.5% reduction over 5 years
Seat Belt Use	Maintain Saskatchewan ranking among top 3 provinces for seat belt use	3rd place in Canada – 91.7% (1st – 92.5%)
High-Risk Drivers	Reduce at-fault accidents by 9 accidents per 100 drivers per year	Reduction of 76 accidents per 100 drivers in 2001
High-Risk Intersections	Benefit to cost ratio of 2 to 1 within two years of intersection improvements	Improved intersections have recorded a ratio over 2 to 1 within two years

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Drinking and Driving Awareness

2001 marked the introduction of a new approach to promoting awareness of the risks of drinking and driving. For many years, SGI campaigns focused on the negative repercussions of drinking and driving. The new millennium seemed an appropriate turning point for a new approach, one that focused on the positive outcomes of choosing not to drink and drive.

A new awareness campaign *Always Plan a Safe Ride Home* was launched in the spring of 2001. It encourages individuals to make alternative arrangements for transportation prior to drinking.

While recognizing that a new approach to raising awareness was important, SGI also recognizes that for a particular target group – Saskatchewan's young people – more graphic messages have a higher impact. SGI worked with Students Against Drinking and Driving (SADD) to develop a new awareness initiative aimed specifically at Saskatchewan's youth. SGI paid all the costs to produce public service announcements for SADD. The campaign, *Drinking and Driving is Murder*, was well supported by Saskatchewan media outlets.

Long-term trends show that the incidence of impaired driving is falling, but fatalities and injuries in alcohol-related crashes remain the single largest traffic safety issue in the province. SGI will continue to dedicate significant resources to combating this serious problem.

Always plan a
safe ride home.
SGIIII
Take care out there.

Encouraging the Use of Seat Belts

While Saskatchewan continues to improve in its overall rate of seat belt use, with 91.7% of all vehicle occupants buckling up in 2001, lack of use of seat belts in rural areas of the province presents a particular challenge. There are likely many reasons for it – lower traffic volumes, short distance travel, habit – but the risks are apparent.

Traffic accident statistics over the period 1998-2000 show that 104 people died in vehicle crashes on Saskatchewan's rural roads – 75 of them were not wearing their seat belts.

Saskatchewan, like other provinces, relies on national surveys as an overall indicator of seat belt use. The results are based primarily on urban locations. Given the accident statistics in rural Saskatchewan, SGI conducted its own surveys in 1999 and 2000 which showed significantly lower usage in rural areas of the province.

SGI continued in 2001 with a targeted awareness initiative aimed at rural communities to encourage people to buckle up, no matter how short the trip or how light the traffic.

Through the Selective Traffic Enforcement Program (STEP), SGI regularly meets with provincial law enforcement who are aware of this particular challenge. In 2001, provincial law enforcement in rural areas agreed to dedicate resources specifically for additional enforcement of seat belt use. These enforcement 'blitzes' coincided with SGI's awareness campaigns in the spring and fall.

SGI will continue to monitor traffic accident statistics and work with law enforcement to raise awareness of this important issue in rural Saskatchewan.

Child Restraint Campaign

Making sure children are properly restrained in motor vehicles is not an easy task. To help Saskatchewan parents, SGI conducts an annual child restraint campaign offering free inspections of child restraints over the summer months. This face-to-face education initiative is particularly important because ensuring children are properly restrained is complicated and depends on many factors, from the weight/height of the child to the type of restraint and the vehicle make/model.

2001 was a very successful year. With the support of many community partners, including Saskatchewan brokers, local health districts, emergency medical personnel and the SGI Safety Squad, 120 child restraint clinics were held in 96 different Saskatchewan communities. This campaign was the most successful to date with at least 3,000 child restraints checked.

The Insurance Brokers Association of Saskatchewan, once again, lent their support to the initiative by providing Saskatchewan holiday getaways to four lucky families who attended clinics in 2001.

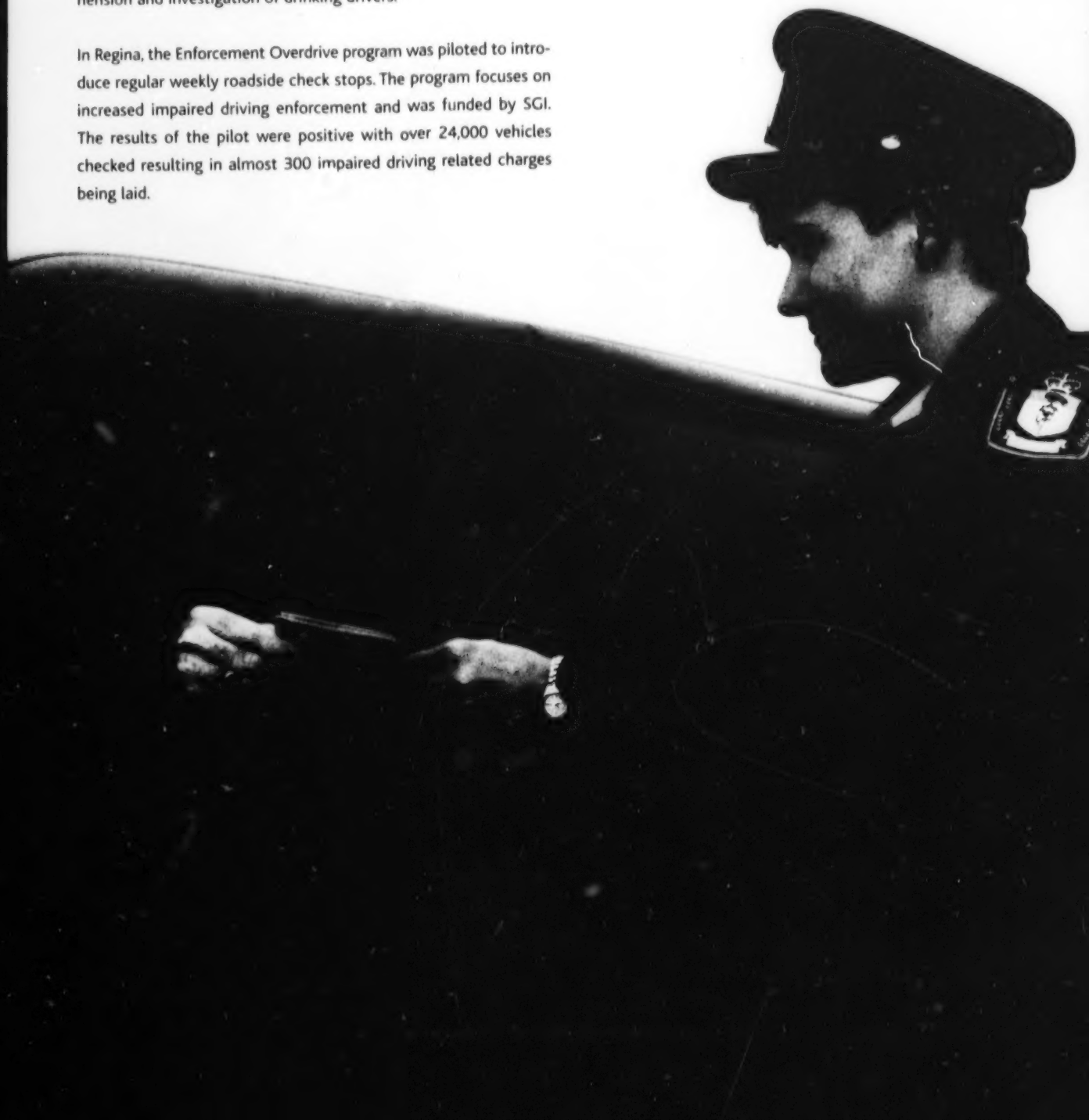
SGI's goal in 2002 is to provide this service to even more Saskatchewan families. Due to the complicated nature of properly restraining children, face-to-face education with parents and caregivers is the most effective way to make sure Saskatchewan children are travelling safely.

SGI Working with Law Enforcement

SGI has worked to foster a strong relationship with provincial law enforcement. Through STEP, co-ordination of education and targeted enforcement has helped to reduce injuries and fatalities.

SGI aided several law enforcement agencies by providing funding to purchase new breath-testing equipment utilized in the apprehension and investigation of drinking drivers.

In Regina, the Enforcement Overdrive program was piloted to introduce regular weekly roadside check stops. The program focuses on increased impaired driving enforcement and was funded by SGI. The results of the pilot were positive with over 24,000 vehicles checked resulting in almost 300 impaired driving related charges being laid.



Safety Promotion in the Community

In 2001, SGI proudly introduced the SGI Safety Squad. This energetic group of university students hit the road running, travelling hundreds of miles across the province promoting traffic safety to Saskatchewan's young people.

The Safety Squad made an impact on thousands of school students during the months of May and June as they hosted the multimedia presentation "Freeway" which focuses on encouraging young people to step back and reconsider following the crowd when it involves risky and unsafe behaviour. The Safety Squad capped off the presentations by facilitating lively interactive discussions on drinking and driving, the importance of wearing seat belts and safety on the road.

The Safety Squad also brought their expertise on child passenger safety to many rural communities during their travels. The students made stops along their routes and helped to educate parents, grandparents and caregivers on the proper installation and use of child restraints.

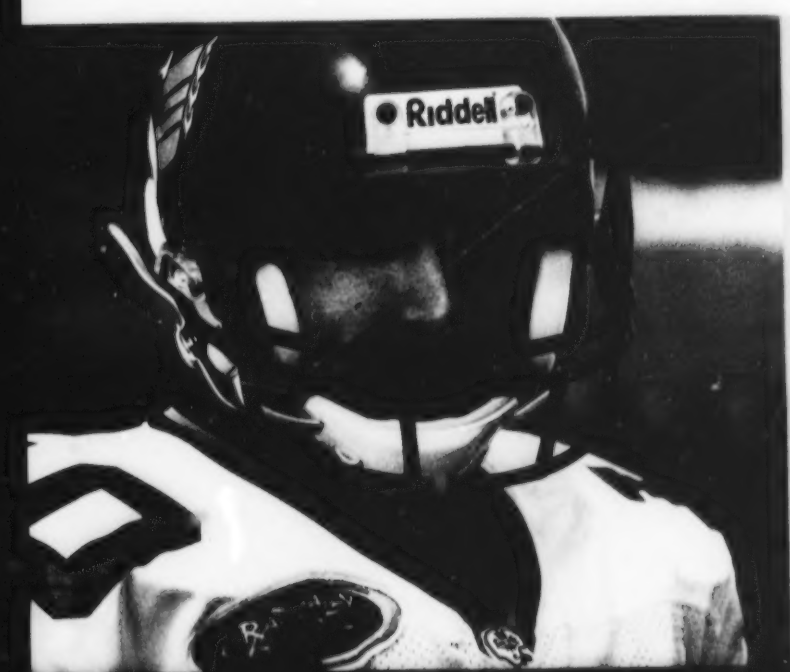
Community picnics, children's festivals, summer resorts, sports days and exhibitions were all venues for the Safety Squad teams during July and August. Often the most popular attraction at the event, kids of all sizes swarmed their displays to take a chance on the safety wheel or play on the computerized safety kiosk.

The SGI Safety Squad has garnered an outstanding reputation for bringing fun and important messages on traffic safety to communities all across Saskatchewan.

Another important new community-based initiative was a partnership with the Saskatchewan Roughriders. SGI teamed up with the Roughriders to promote important messages on road safety. Player representative Dan Farthing acted as spokesperson to encourage fans to *Always Plan a Safe Ride Home*. Spectators at each home game were treated to an on-field fan participation promotion utilizing fatal vision goggles to illustrate the effect alcohol has on co-ordination. SGI also hosted *Play It Safe Day* at Taylor Field to promote safety to young fans who attended the event to meet their favourite Rider players.

As presenting sponsor of the Saskatchewan Junior Hockey League's *Arrive Alive* campaign, SGI has continued to promote traffic safety initiatives in virtually every community rink in the province reaching an estimated audience of 400,000 people over the winter months. In only its second year, the success of *Arrive Alive* in Saskatchewan has led to the program being used as a model for a similar partnership between Manitoba Public Insurance and the Manitoba Junior Hockey League.

In 2002, SGI will continue to explore innovative community partnerships to promote safety throughout the province.



Before you head out to the game, plan a safe ride home.

Dan Farthing
Saskatchewan Roughriders

SGI
Take care out there.

2002 Outlook

Saskatchewan motorists have told us they want to see changes and the Auto Fund has listened. In 2002, new program initiatives and service improvements at SGI will respond to the desire of Auto Fund customers with multiple changes to PIPP July 1, 2002 – including the choice to opt out beginning Jan. 1, 2003, and a new program to provide discounts for safe drivers starting July 1, 2002.

These improvements will take effect when necessary legislation is passed this spring.

THE PERSONAL INJURY PROTECTION PLAN

The government will adopt virtually all of the 111 recommendations to improve PIPP as outlined by the Committee which reviewed the program in 2000.

Key improvements to the program include:

- increase medical and rehabilitation limits from the current coverage level of $554,000 to $5 million
- increase the maximum permanent impairment benefit to $175,000 from the current $138,000 for those most seriously injured
- improve the fairness of income replacement benefits, particularly for those who are self-employed and small business people

NEW INJURY COVERAGE FOR VEHICLE OWNERS

SGI has begun working on an optional package of injury benefits for Saskatchewan residents. This new coverage reintroduces the ability to sue for pain and suffering in Saskatchewan.

All Saskatchewan residents will be able to choose to opt out of the current Personal Injury Protection Plan and elect a different injury coverage. This coverage will provide reduced defined injury benefits and allow lawsuits for pain and suffering, subject to a $5,000 deductible, where there is an at-fault party.

DISCOUNT FOR SAFE DRIVERS

Effective July 1, 2002, safe drivers will be eligible for a discount on their vehicle insurance premiums. SGI's customer feedback initiative earlier in 2001 showed that this is the #1 priority among Saskatchewan motorists.

The discount for safe drivers will be based on the individual driving records of all motorists. However, SGI records indicate that two out of three Saskatchewan vehicle owners will be paying lower insurance premiums when the discount for safe drivers kicks in.

NO RATE INCREASE IN 2002

One of our most important goals in the Auto Fund is to offer motorists among the lowest rates in Canada. The Auto Fund will not be requesting a rate increase for 2002. After careful assessment of the financial requirements of the corporation, SGI believes that it can introduce the previously mentioned new program initiatives and service improvements without a rate increase.

Balanced Scorecard

The Saskatchewan Auto Fund is a compulsory provincial vehicle insurance program administered by SGI. The Fund provides vehicle registrations, driver's licences and related services for more than 830,000 vehicles and 660,000 drivers in Saskatchewan. The Fund is intended to operate on a break-even basis over time.

The Fund is not a Crown Investments Corporation subsidiary Crown corporation. Rather, SGI acts as the administrator of the Fund.

SGI employs more than 1,500 people and operates 20 claims centres and five salvage centres in 13 communities across the province.

The Fund has developed specific corporate objectives measures and targets in its Business Plan in the areas of financial performance, customer service, learning and innovation and public policy. These areas form the quadrants of our Balanced Scorecard and together form an integrated short- and long-term strategic performance management system.

The Fund's performance is measured against the following key objectives.

	STRATEGIC OBJECTIVE	STRATEGIC MEASUREMENT	2001 TARGET	2001 ACTUAL
Financial	**Maintain an adequate Rate Stabilization Reserve (RSR)**	**RSR balance equal to 17% of claims incurred**	**$(6.9M)**	**$2.0M**
Customer Service	Deliver lowest average insurance rates in Canada	Runzheimer survey results	1st or 2nd lowest average insurance rates in Canada	2nd lowest Manitoba lowest (April/01)
	Claims Customer Satisfaction	Claims customer service survey	89%	91%
Learning & Innovation	**Improve business effectiveness through corporate learning**	**Staff receiving specialized customer service training**	**100% of staff trained by end of 2002**	**95% of permanent front line** **78% of total permanent staff**
Public Policy	Economic Diversification and growth	Per cent of dollars spent in Saskatchewan	90%	84%
	Reduce fatalities due to motor vehicle crashes	Reduction in the 1995 – 1999 average number of fatalities of 158	10% reduction in 1995 – 1999 average	4.4% by end of 2000 (2001 results N/A)
	Representative Workforce	Women in under represented categories	39.4%	47.2%
		Aboriginal	7.0%	7.7%
		People with disabilities	9.5%	8.9%
		Visible minorities	2.8%	2.4%

Balanced Scorecard

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Introduction

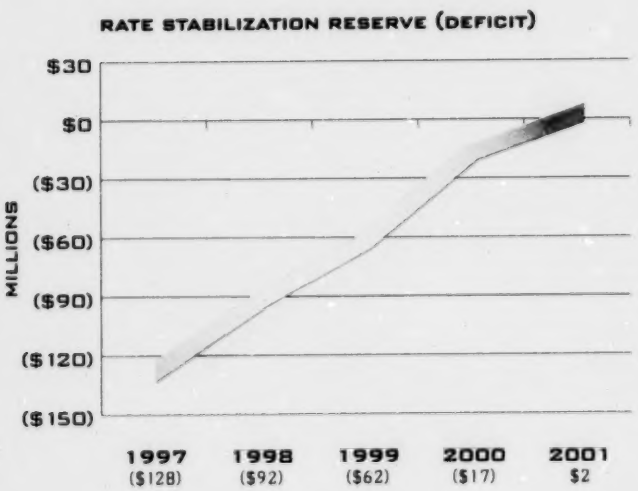
This report focuses on the financial position and operating results of the Saskatchewan Auto Fund (the Fund). The information in this section should be read in conjunction with the Fund's financial statements and accompanying notes.

The Saskatchewan Auto Fund is the compulsory automobile insurance program administered by SGI on behalf of the people of Saskatchewan. The Fund provides vehicle registrations, driver's licences and related services to all Saskatchewan motorists. The Fund operates on a break-even basis over time, and neither receives money from, nor pays annual dividends to, the provincial government.

The Fund provides coverage for damage to or loss of an insured's vehicle, subject to a deductible, as well as up to $200,000 liability for property damage and/or injuries caused to another person. The Fund also provides all Saskatchewan residents with personal injury coverage under the Personal Injury Protection Plan (PIPP).

2001 Overview

The Auto Fund achieved a significant milestone in 2001 by returning the Rate Stabilization Reserve (RSR) to a surplus position. By realizing an $18.8 million surplus in 2001, the deficit, which had grown to $127.9 million by the end of 1997, is now in a surplus position of $2.0 million.



The surplus in 2001 of $18.8 million is down significantly from the $45.3 million surplus realized last year. The decline of $26.5 million is almost entirely from a decline in investment earnings. The year 2000 was a tremendous year as capital markets provided above average returns with the Auto Fund recording its highest ever investment income. But like all insurance companies in Canada, investment earnings for the Auto Fund were down significantly in 2001 from the five-year average, a result of a decline in capital markets.

Improving customer service was a top priority for the Auto Fund in 2001. The vast majority of SGI staff attended specialized customer service training, with 95% of permanent front line staff and 78% of all permanent staff completing the course. The training is followed up with think tanks where staff review customer feedback and implement changes to better serve their customers.

SGI's Medical Review Unit also underwent significant changes in 2001 to simplify processes and better serve individuals with medical conditions that could affect their ability to drive safely. The initiative includes providing a subsidy to assist in covering the costs of SGI-requested medical information.

SGI also expanded hours of operation for full auto claims service in its two busiest communities; Regina and Saskatoon.

Promoting traffic safety in Saskatchewan continued to be a top priority for the Auto Fund. New awareness campaigns complemented legislative initiatives to reduce the incidence of drinking and driving. Zero tolerance for all new drivers, 90-day immediate roadside administrative suspensions and an ignition interlock program for first-time offenders took effect in 2001. Work also continued in other priority areas, namely the use of seat belts in rural Saskatchewan and the proper restraint of children in motor vehicles.

Actual versus Last Year

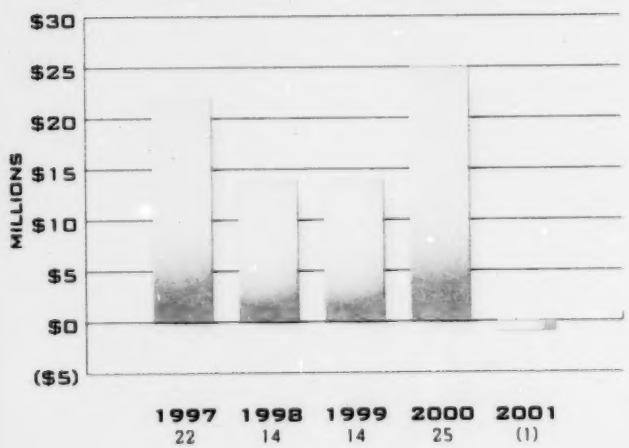
REVENUES

Premiums written increased in 2001 by 3.8% to $463.8 million. As there was no rate increase in 2001, the increase in premiums is due to a newer vehicle population which costs more to insure.

A major objective for the Auto Fund is maintaining automobile insurance rates that are among the lowest in Canada. Even with the large deficit that had accumulated, the Auto Fund was able to keep rate increases reasonable with general increases in only five of the last 10 years with a cumulative total of 17.25%, compared with Saskatchewan CPI growth of just under 20%. On an ongoing basis, the Auto Fund forecasts its revenue and expenses to determine if a rate adjustment is required. If one is required, the Auto Fund submits its proposal to the Saskatchewan Rate Review Panel. No rate adjustment was requested in 2001 for 2002 rates.

Investment earnings were down significantly in 2001 from the record earnings recorded in 2000. Earnings totaling $41.4 million were realized in 2001, compared to $69.1 million in 2000. These gains are comprised of gains on the sale of bonds and equities, with the decline in 2001 attributed to reductions on the sale of equity investments.

GAINS ON SALE OF EQUITIES



Other income consists of fees charged to insureds for utilizing the AutoPay and Short-Term Vehicle Registration and Insurance payment option programs, as well as net income from the Salvage division.

Vehicle owners who choose the AutoPay or Short-Term payment options are charged a fee to cover administration costs and lost investment income. These fees generated $12.0 million in revenue in 2001, compared to $11.4 million in 2000.

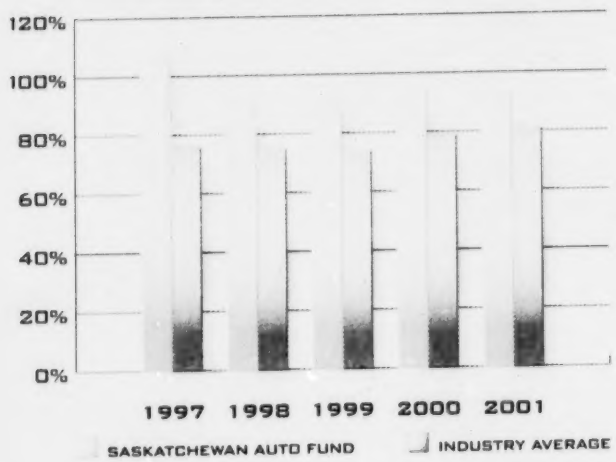
The Auto Fund operates a Salvage division with branches in five communities in Saskatchewan. SGI Salvage helps reduce the Auto Fund's claim costs by selling recycled automobile parts and whole vehicles from total loss claims. Net income in 2001 was $4.1 million, compared to $4.6 million in 2000.

CLAIMS

Claims incurred increased to $420.0 million, a 2.5% increase from the $409.9 million in claim costs incurred in 2000. The cost of Personal Injury Protection Plan claims rose by $9.9 million, primarily due to indexing of benefits and lower provincial and federal income tax rates. Income replacement and death benefits are paid on a net of tax basis and therefore as tax rates decrease, higher benefits are paid to claimants. Also contributing to the increase in claim costs is injury liability claims, which are primarily out-of-province claims. These claim costs grew in 2001 by 11% or $2.6 million.

Because the Auto Fund provides basic automobile insurance to all Saskatchewan residents, it does not need to incur marketing and underwriting costs to the same extent that private insurers do. As well, the Auto Fund operates on a break-even basis and does not price its insurance products to make a profit. Because of these factors, the Auto Fund can return more of each premium dollar to pay claim costs. For example, on average over the last five years, the Auto Fund has returned 96 cents of each premium dollar to customers, compared to the private insurance industry average of only 77 cents.

CLAIMS DOLLARS RETURNED TO CUSTOMERS



EXPENSES

The Auto Fund's expenses other than claim costs totaled $71.4 million, a $5.6 million increase. Of this increase, premium taxes account for the majority of the increase ($3.4 million). Premium taxes are based on a percentage of premiums. Therefore as premiums grow, so do premium taxes.

Traffic safety program spending increased by $1.3 million to $8.7 million, representing 1.9% of premiums compared to 1.7% in 2000. Over the last several years, the Auto Fund has gradually been moving towards a target of spending 2% of each premium dollar on traffic safety programs. Our investment in these programs is monitored against targets. If the initiatives are not having the desired impact, changes to the program are made to ensure these investments are working to reduce the frequency or severity of traffic accidents.

Issuer fees totaled $14.6 million in 2001, increasing from $13.3 million in 2000. The increase in these costs is primarily due to implementation of the mandatory photo identification program in 2001, which is delivered through over 400 issuer locations throughout the province.

Administrative expenses declined in 2001 by $336,000. As mentioned, the Auto Fund does not need to spend as much as the insurance industry to market or underwrite its product, and therefore spends much less than the industry on administration. In 2001, administrative expenses represented only 5.6% of each premium dollar, while the insurance industry spends nearly twice as much to administer automobile insurance.

Actual versus Budget

The Auto Fund prepares an annual forecast each fall for the upcoming fiscal year. The plan, which is approved by the Board of Directors, is developed using long-term averages combined with known and expected information for the upcoming year.

The Auto Fund's 2001 budget developed in the fall of 2000 anticipated a surplus for 2001 of $14.7 million, compared to the actual result of $18.8 million. A variance of $4.1 million represents less than a 1% variance from the total expenses. Most revenue and expense categories were close to forecast with the exception of the Auto Fund's most volatile categories; claims incurred and investment earnings.

Actual claims costs of $420.0 million were $14.7 million less than the budget for 2001 of $434.6 million. PIPP claims were less than expected, as the budget anticipated the implementation in 2001 of the recommendations from the PIPP Review Committee. Also, damage claims were lower than budgeted due to fewer claims, combined with a lower cost for each claim.

Investment earnings were significantly lower than forecast for 2001. The budget anticipated earnings of $52.2 million compared to actual earnings of $41.4 million, $10.8 million less than expected. The variance is due to lower gains realized on the sale of equity investments. Gains on the sale of investments are difficult to predict and vary significantly from year to year. As an example, in 2000, actual gains on the sale of equities (net of investment writedowns) were $25.3 million compared to a loss in 2001 of $687,000. The budget for 2001 anticipated equity gains of $14.3 million and with an actual loss on equities in 2001 of $687,000, it produced a negative budget variance of over $15.0 million.

LIQUIDITY

The Auto Fund purchases reinsurance to protect against major catastrophes adversely affecting the RSR. With the Auto Fund now in a surplus position, combined with the size and conservative nature of the investment portfolio, the corporation is confident that it can meet all liabilities as they become due.

Risk Management

CATASTROPHE EXPOSURE

The Auto Fund is exposed to losses arising from catastrophic events. With the Auto Fund insuring all vehicles in the province, it is susceptible to large losses from major storms in Saskatchewan. To contain this risk it purchases catastrophe reinsurance protection, which reduces the potential impact from major losses as a result of catastrophic events.

PROVISION FOR UNPAID CLAIMS

The Auto Fund maintains a provision for unpaid claims to cover its liability for future payments on these claims. The provision includes an estimate for future development on reported claims and an estimate for claims that have not yet been reported. These provisions are estimates and the ultimate payment on these claims will differ somewhat from the estimate. The Auto Fund faces the risk that the ultimate payment on these claims will be materially different than the established provision.

INVESTMENT RETURNS

Investment earnings are used to reduce rates for vehicle owners in Saskatchewan. In 2001, investment earnings represented 8% of total revenues for the Auto Fund, compared to 13% in 2000. These earnings can fluctuate significantly from year to year based on returns from capital markets over which the Corporation has little control. To mitigate these fluctuations, the Corporation maintains a well-diversified investment portfolio and utilizes the services of three investment managers.

Each of the investment managers follows the guidelines established in the Investment Policy and Objectives, which provides the manager with a guideline for the quality, quantity and rate of return standards for the portfolio. The Investment Policy and Objectives for each fund manager are reviewed annually by management and approved by the Board of Directors. Fund managers produce quarterly reports on the performance of assets under their management that are reviewed by corporate management and the Finance and Investment Committee of the Board of Directors. As well, the Corporation utilizes the services of an investment consultant to independently review and report on the performance of the investment managers.

Outlook

A review of the financial position of the Auto Fund indicated that an overall premium increase was not required in 2002. The Auto Fund expects to break even in 2002.

The elimination of the deficit in the RSR in 2001 was a major milestone for the Auto Fund. Over time, the goal will be to build an adequate surplus in the RSR to cushion motorists against major fluctuations in rates due to corresponding fluctuations in claim costs.

Major program development has been announced to take place in 2002, including the introduction of a discount program for safe drivers and multiple changes and improvements to the Personal Injury Protection Plan, as recommended by the independent review committee. It is expected that these will take effect July 1, 2002.

Another significant development is the introduction of choice in injury coverage. Work will begin in 2002 to allow all Saskatchewan residents the choice to opt out of the Personal Injury Protection Plan and elect tort-based injury coverage, effective Jan. 1, 2003.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

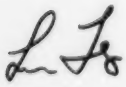
The financial statements are the responsibility of management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

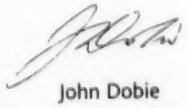
An actuary has been appointed by the Fund to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Fund and the nature of the insurance policies. The actuary also makes use of management information provided by the Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Fund. An Audit Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance and the external auditors. These external auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Fund's financial position and results of operations as shown in the financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.



Larry Fogg
President
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund



John Dobie
Vice President
Finance
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

February 15, 2002

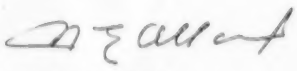
ACTUARY'S REPORT

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of Saskatchewan Auto Fund for its statement of financial position at December 31, 2001 and their change in the statement of operations and rate stabilization reserve for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Canadian insurance regulatory practice required that the valuation of some policy liabilities not reflect the time value of money. My valuation complies with that practice.

In my opinion, except as noted in the previous paragraph, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.



Jean-Luc E. Allard
Fellow, Canadian Institute of Actuaries

February 15, 2002

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Auto Fund as at December 31, 2001, and the statements of operations and rate stabilization reserve and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of Saskatchewan Government Insurance as administrators of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

February 15, 2002

STATEMENT OF FINANCIAL POSITION

December 31	2001	2000
	(thousands of $)	
Assets		
Cash and treasury bills (note 3)	$ 68,164	$ 80,091
Accounts receivable (note 4)	83,758	68,789
Deferred policy acquisition costs	12,930	12,018
Prepaid expenses and inventories	3,765	3,856
Investments (note 5)	655,831	592,512
Net investment in capital leases (note 6)	6,198	6,650
Capital assets (note 7)	41,276	31,450
	$ 871,922	$ 795,375
Liabilities		
Accounts payable and accrued charges	$ 18,259	$ 15,178
Premium taxes payable	23,271	21,424
Provision for unpaid claims (note 8)	627,479	586,848
Unearned premiums	200,944	188,796
	869,953	812,246
Rate Stabilization Reserve (deficit)	**1,969**	(16,871)
	$ 871,922	$ 795,375

Commitments (note 13)

(see accompanying notes)

STATEMENT OF OPERATIONS AND RATE STABILIZATION RESERVE (DEFICIT)

year ended December 31	**2001**	2000
	(thousands of $)	
Premiums written	$ 463,838	$ 446,714
Premiums earned	$ 452,659	$ 435,842
Claims incurred	419,995	409,876
Issuer fees	14,558	13,327
Premium taxes	22,637	19,195
Administrative expenses	25,495	25,831
Traffic safety programs	8,686	7,404
Total claims and expenses	**491,371**	475,633
Underwriting loss	**(38,712)**	(39,791)
Investment earnings (note 9)	41,390	69,056
Other income (note 10)	16,162	15,998
Increase to Rate Stabilization Reserve (deficit)	**18,840**	45,263
Rate Stabilization Reserve (deficit), beginning of year	(16,871)	(62,134)
Rate Stabilization Reserve (deficit), end of year	**$ 1,969**	$ (16,871)

(see accompanying notes)

STATEMENT OF CASH FLOWS

year ended December 31	**2001**	2000
	(thousands of $)	
Cash provided by (used for) operating activities		
Net increase to Rate Stabilization Reserve (deficit)	$ 18,840	$ 45,263
Non-cash items:		
Amortization	5,138	4,983
Realized gain on disposal of investments and capital assets	(6,471)	(31,745)
Loss (income) from equity investment	(10)	99
Investment write downs	1,471	2,641
Change in non-cash operating items:		
Accounts receivable	(14,969)	(14,716)
Deferred policy acquisition costs	(912)	(2,347)
Prepaid expenses and inventories	91	(50)
Accounts payable and accrued charges	3,081	1,721
Premium taxes payable	1,847	4,262
Provision for unpaid claims	40,631	61,598
Unearned premiums	12,148	11,113
	60,885	82,822
Cash provided by (used for) investing activities		
Purchases of investments	(867,798)	(608,674)
Proceeds on sale of investments	792,120	555,811
Repayment of capital leases	461	418
Purchases of capital assets	(13,813)	(5,546)
Proceeds on disposal of capital assets	42	27
	(88,988)	(57,964)
Increase (decrease) in cash and cash equivalents	**(28,103)**	24,858
Cash and cash equivalents:		
Balance, beginning of year	56,941	32,083
Balance, end of year	**28,838**	56,941
Plus treasury bills greater than 91 days to maturity from acquisition date	**39,326**	23,150
Cash and treasury bills per statement of financial position	**$ 68,164**	$ 80,091

(see accompanying notes)

December 31, 2001

1. STATUS OF THE FUND

The Saskatchewan Auto Fund (the Fund) was established effective Jan. 1, 1984 by an amendment to the *Automobile Accident Insurance Act* (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The Rate Stabilization Reserve (deficit) is held on behalf of Saskatchewan's motoring public and is not used for the payment of general dividends.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Deferred policy acquisition costs

Premium taxes and issuer fees are deferred and then charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Treasury bills, shares, pooled funds and real estate are valued at cost. Investments are written down when there is a decline in value that is other than temporary. Dividends on common shares are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on the date of settlement.

The Fund owns 7% (2000 – 20%) interest in SGI CANADA Insurance Services Ltd. (SCISL), a company formed to sell insurance products in provinces other than Saskatchewan. The investment in SCISL is recorded on the equity basis, whereby the carrying value of the investment is adjusted by the Fund's share of SCISL's earnings or losses and reduced by cash received.

The Fund has a one-third interest in a real estate joint venture, which is accounted for using proportionate consolidation. The resulting income producing property is amortized over its estimated useful life of 50 years on a sinking fund basis. The other interests in this joint venture are SaskPen and a private sector investor. SaskPen is a real estate corporation owned by Province of Saskatchewan employee pension plans.

Capital leases

Investment earnings related to direct financing leases are recognized in a manner that produces a constant rate of return on the investment in each lease. The net investment in leases is composed of net minimum lease payments less unearned finance income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Buildings and improvements	$2^1/_2$ - 5%
Computer hardware, system costs and other equipment	20 - 50%

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are taken into income over the terms of the related policies. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Foreign currency translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at the year end. Investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash on hand and treasury bills with a maturity of 91 days or less from the date of acquisition.

3. CASH AND TREASURY BILLS

Cash and treasury bills, which comprise treasury bills and commercial paper, have an average effective interest rate of 2.9% (2000 - 6.1%) and an average remaining term to maturity of 80 days (2000 - 82 days). The Fund's investment policy states that securities investments must meet minimum investment standards of R-1, or R-2 high for Canadian grain companies, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the short-term portfolio.

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	(thousands of $)	
	2001	2000
Financed premiums receivable	$62,564	$50,953
Licence issuers receivable	4,459	5,333
Accrued investment income	4,493	4,781
Amount recoverable on paid claims	3,177	3,154
Other	9,065	4,568
Total accounts receivable	$83,758	$68,789

5. INVESTMENTS

The carrying value and fair value of the Fund's investments are as follows:

	(thousands of $)			
	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds and debentures	$294,632	$302,002	$292,752	$299,890
Pooled bond fund	132,827	135,359	123,093	125,104
Common shares	139,233	168,815	112,906	145,566
Pooled equity fund	32,903	26,723	27,855	29,289
Mortgages	44,195	45,761	23,977	24,318
Income producing property	10,530	9,833	10,428	11,500
	654,320	688,493	591,011	635,667
Investment in SGI CANADA Insurance Services Ltd.	1,511	1,511	1,501	1,501
Total investments	$655,831	$690,004	$592,512	$637,168

The income producing property consists of land and buildings with costs of $1,451,000 (2000 - $1,451,000) and $9,617,000 (2000 - $9,446,000) respectively and accumulated amortization of $538,000 (2000 - $469,000).

Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

(i) Bonds and debentures:
The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the investment assets for corporate bonds and debentures and 20% for bonds and debentures issued by any one province. Also, a minimum of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The carrying value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal values and therefore the average effective rates are not materially different from the coupon rates. Interest is generally payable on a semi-annual basis.

	(thousands of $)			
	2001		2000	
Term to Maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
Government of Canada:				
After one through five	$ 63,209	5.5%	$ 80,404	5.8%
After five	95,713	5.9%	89,799	5.6%
Canadian provincial & municipal:				
After one through five	19,453	6.0%	14,373	5.9%
After five	28,355	6.2%	39,460	6.2%
Canadian corporate:				
One or less	500	5.8%	–	–
After one through five	38,874	6.6%	27,998	6.6%
After five	48,528	7.1%	40,718	7.0%
Total bonds & debentures	$294,632		$292,752	

Included in bonds and debentures above are bonds denominated in United States dollars with a carrying value of $732,000 (2000 - $1,738,000). Principal and interest is receivable on a semi-annual basis in United States dollars. In order to minimize the risk of foreign exchange fluctuations, the Fund has hedged this risk by purchasing United States dollar forward exchange contracts.

(ii) Pooled bond fund:
The Fund owns units in a pooled bond fund that has no fixed interest rate. Its returns are based on the success of the fund manager and future interest rates.

(iii) Pooled equity fund:
The Fund owns units in a pooled equity fund that has no fixed interest rate. Its returns are based on the success of the fund manager.

(iv) Common shares:
Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.8% (2000 - 1.7%).

Common shares include $35,299,000 (2000 - $22,076,000) denoted in United States dollars.

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Fund's common shares. As well, no one holding may represent more than 10% of the voting shares of any corporation.

(v) Mortgages:
The mortgage portfolio consists entirely of Canadian commercial mortgages with an average effective interest rate of 7.4% (2000 - 7.4%) with an average maturity of 5.4 years (2000 – 6.4 years). Principal and interest is receivable on a monthly basis.

6. NET INVESTMENT IN CAPITAL LEASES

One of the Fund's capital leases is a 63% interest in a lease agreement with Saskatchewan Property Management Corporation, a related party, for a term of 30 years (expiring March 2011) on property in Prince Albert, Saskatchewan. The related party total minimum lease payments receivable is $9,200,000 (2000 - $10,194,000), and unearned income is $3,218,000 (2000 - $3,839,000).

Each lease transfers substantially all of the benefits and risks incident with the ownership of the property to the lessee. The Fund's total net investment in capital leases includes the following:

	(thousands of $)	
	2001	2000
Total minimum lease payments receivable ($1,106,000 per year)	$ 9,440	$10,546
Unearned income	(3,242)	(3,887)
Net investment in capital lease	$ 6,198	$ 6,659

The fair value of the net investment in capital leases is $7,055,000 (2000 - $7,606,000).

7. CAPITAL ASSETS

The components of the Fund's investment in capital assets, as well as the related accumulated amortization, are as follows:

	(thousands of $)			
	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 6,973	$ –	$ 6,973	$ 6,960
Buildings and improvements	40,872	12,253	28,619	18,641
Computer hardware, system costs and other equipment	27,416	21,732	5,684	5,849
Total	$75,261	$33,985	$41,276	$31,450

Amortization for the year is $3,943,000 (2000 - $4,569,000). Included in 2001 building costs is $11,665,000 for a new building under construction that has not begun to be amortized.

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Fund at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled, as all the necessary information may not be available at the balance sheet date.

Factors used to estimate the provision include: the Fund's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as damage claims tend to be more reasonably predictable than long-tail claims such as long-term disability and liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risk that the actual results may differ materially from the estimates.

The Auto Fund settles some long-term disability claims by purchasing structured settlements from various financial institutions. As part of the settlement, the Fund provides a financial guarantee to claimants in the event the institutions default on scheduled payments. The net present value of these expected payments as of the balance sheet date total $24,623,000 (2000 - $24,452,000).

Included in the provision for unpaid claims are discounted amounts for injury accident benefits in the amount of $288,470,000 (2000 - $261,262,000). These claims have been discounted using a rate of 2.5% to 6% to take account of the time value of money and include a provision for adverse development.

Changes in the estimate for the provision for unpaid claims in 2001 and 2000 are as follows:

	(thousands of $)	
	2001	2000
Net unpaid claims - beginning of year	$586,848	$525,250
Payments made during the year relating to prior year claims	(141,753)	(125,708)
Deficiency (excess) relating to prior year estimated unpaid claims	(9,673)	328
Net unpaid claims for claims of prior years	435,422	399,870
Provision for claims occurring in the current year	192,057	186,978
Net unpaid claims - end of year	$627,479	$586,848

(ii) Type of unpaid claims:
The provision for unpaid claims is summarized by type of claim as follows:

	(thousands of $)	
	2001	2000
Injury accident benefits	$452,503	$404,210
Injury liability	121,893	124,205
Damage	53,083	58,433
Total	$627,479	$586,848

9. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $)	
	2001	2000
Interest and dividends	$34,874	$38,398
Realized gains on sale of investments	6,473	31,743
Income from income producing property, net of operating costs of $805,000 (2000 - $814,000)	869	868
Income from capital leases	645	688
Investment write down	(1,471)	(2,641)
Total investment earnings	$41,390	$69,056

Cash inflows from the income producing property are $624,000 (2000 - $1,110,000).

10. OTHER INCOME

The Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process. In 2001, total salvage sales were $21,841,000 (2000 - $21,582,000); gross earnings on sales were $7,304,000 (2000 - $7,617,000); and net earnings were $4,144,000 (2000 - $4,589,000). The net earnings of the salvage division are included in other income.

The Fund offers a Short-Term Vehicle Registration and Insurance plan which allows the motoring public to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows the motoring public to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance. Included in other income is $12,018,000 (2000 - $11,418,000) for fees charged to users of these plans.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

	(thousands of $)	
Category	**2001**	2000
Accounts receivable	$ 3,444	$ 2,483
Deferred policy acquisition costs	9,778	9,144
Investments	5,869	5,103
Accounts payable and accrued charges	438	516
Premium taxes payable	23,271	21,424
Provision for unpaid claims	1,749	2,097
Unearned premiums	2,325	2,156
Premiums written	5,549	5,261
Premiums earned	5,416	5,133
Investment earnings	430	41
Claims incurred	17,272	16,778
Premium taxes	22,637	19,195
Administrative expenses	2,011	1,796
Traffic safety programs	1,774	1,765

Saskatchewan Government Insurance (SGI) acts as administrator of the Fund. Administrative and claim adjustment expenses incurred by SGI are allocated to the Fund and SGI directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Fund were $71,271,000 (2000 - $68,155,000) and accounts receivable are $3,059,000 (2000 accounts payable - $2,019,000).

Other related party transactions are described separately in the notes.

12. FAIR VALUES

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

(i) For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

(a) cash and treasury bills
(b) accounts receivable
(c) accounts payable and accrued charges
(d) premium taxes payable

(ii) For the following financial instruments the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices:

(a) bonds and debentures
(b) pooled bond fund
(c) common shares
(d) pooled equity fund

(iii) Mortgages

The fair value is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using current interest rates.

(iv) Net investment in capital lease

The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

(v) Investment in SGI CANADA Insurance Services Ltd.

The fair value of the investment in SGI CANADA Insurance Services Ltd. is considered to approximate book value.

(vi) Provision for unpaid claims

The fair value of the provision for unpaid claims has been omitted because it is not practicable to determine fair value with sufficient reliability (note 8).

13. COMMITMENTS

The Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with research and rehabilitation for those injured in automobile accidents. The funding to be provided over the next five years is anticipated to be $10.8 million.